

Decision 17-08-006 August 10, 2017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) Under the Energy Resource Recovery Account Trigger Mechanism.

Application 17-05-012
(Filed May 17, 2017)

**DECISION GRANTING THE TRIGGER APPLICATION
OF SAN DIEGO GAS & ELECTRIC COMPANY**

Summary

San Diego Gas & Electric Company's Energy Resource Recovery Account balance is currently projected to be in excess of \$120 million undercollected as of July 31, 2017 (based on actual numbers through June and projected numbers for July). This decision authorizes an increase in rates to collect the \$120 million undercollection from ratepayers, to be amortized over a 14-month period beginning November 1, 2017, until no later than December 31, 2018.

This proceeding is closed.

1. Background

Pursuant to Assembly Bill (AB) 57 (Stats. 2002, Ch. 835), the Commission established the Energy Resource Recovery Account (ERRA) balancing account in 2002 in order to record the investor-owned utilities' fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR).¹ AB 57 also mandated a

¹ Pub. Util. Code § 454.5(d)(3), enacted by AB 57.

trigger threshold for the balance in the ERRA of 5% of the electric utility's actual recorded generation revenues for the prior calendar year:²

The commission shall review the power procurement balancing accounts, not less than semi-annually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources. The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.

Decision (D.) 02-10-062 implemented AB 57. D.02-10-062 established a trigger mechanism at 4% of the ERRA balance to ensure the 5% threshold would not be reached. The Commission stated the following regarding Pub. Util. Code § 454.5(d)(3):³

We direct PG&E [Pacific Gas and Electric Company], SDG&E [San Diego Gas & Electric Company] and Edison [Southern California Edison Company] to file expedited applications for approval in 60 days from the filing date when the new ERRA balance reaches four percent. The application will include a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the five percent threshold. The application will also propose an

² *Id.*

³ D.02-10-062 at 65.

amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. It should also include allocation of the over-and-under collection among customers for rate adjustment based on existing allocation methodology recognized by the Commission. Customer notice should be sent as soon as the application is filed for a rate increase or decrease.

In D.15-05-008, the Commission specified that the trigger remains in effect for the duration of the utility's electricity procurement pursuant to Pub. Util. Code § 454.5.⁴ D.07-05-008 added an additional rule to the trigger procedures by allowing SDG&E to file an advice letter seeking to maintain rates when it expected an overcollection or undercollection above the 4% trigger to self-correct below the trigger within 120 days of filing.

In order to determine the 4% trigger amount and the 5% threshold, pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year to establish the current year's trigger amount. In Advice Letter 3045-E, dated February 17, 2017, SDG&E reported that its 2016 electric commodity revenues, excluding CDWR revenue, were \$1,443 million. Consequently, SDG&E's currently approved 4% trigger point is \$57.7 million and the 5% ERRA threshold is \$72.1 million. As explained below, the projected undercollection is above these trigger and threshold amounts. In addition, with regard to the additional "self-correction" review required by D.07-05-008, SDG&E does not expect self-correction to occur within 120 days of its May 2017 filing.

⁴ D.15-05-008 at Ordering Paragraph 1.

2. Requested Relief

SDG&E filed its expedited application on May 17, 2017. In its application, SDG&E seeks expedited authorization to collect from ratepayers a projected \$120 million ERRA undercollection (as of July 31, 2017). SDG&E also seeks approval to collect this amount over a 14-month amortization period, beginning on November 1, 2017 until no later than December 31, 2018. According to SDG&E, its trigger event is attributed to the fact that “SDG&E authorized sales are based on a 2015-test year and do not reflect actual customer consumption.”⁵ Further, SDG&E contends that “This misalignment is impacting SDG&E’s ability to fully recover its 2017 ERRA authorized revenue requirement.”⁶

If the requested relief were granted, SDG&E projects the following bill impacts reflecting the amortization of the undercollection⁷:

Table 1: Illustrative Rate Impacts

Customer Class	Current Effective Rates (¢/kWh) ⁸	Proposed Rates (¢/kWh)	Change (¢/kWh)	Change (%)
Residential	24.990	25.635	0.645	2.58%
Small Commercial	23.928	24.513	0.585	2.44%
Medium and Large Commercial and Industrial	19.850	20.472	0.622	3.13%
Agriculture	17.735	18.263	0.528	2.98%
Streetlighting	19.917	20.343	0.426	2.14%
System	22.122	22.747	0.625	2.83%

SDG&E’s application included a proposed schedule that featured a shortened protest period. The Chief Administrative Law Judge granted

⁵ See May 17, 2017 Prepared Direct Testimony of Norma G. Jasso at NGJ-5.

⁶ *Id.*

⁷ See May 17, 2017 Prepared Direct Testimony of Cynthia Fang at CF-4.

⁸ Rates effective 3/1/17 per AL 3034-E/3034-E-A.

SDG&E's request on June 9, 2017, such that Expedited Protests were due on June 15, 2017. Neither the Office of Ratepayers Advocates nor any other entity filed a protest. A Prehearing Conference (PHC) was held on June 16, 2017.

3. Discussion

As we explain below, SDG&E's application should be approved.

3.1. Standard of Review

With regards to our review of ERRA trigger applications, our latitude and range of discretion are proscribed by Pub. Util. Code § 454.5(d)(3); this is reflected in the review process that we established in D.02-10-062. In short, we must confirm the accuracy of SDG&E's estimated balances and confirm that those estimates meet the trigger thresholds within the timeframes established pursuant to statute.

The shortened timeframes, combined with the uncertainties generally inherent in energy forecasting, create challenges for all parties in an ERRA trigger review process. In such instances as this one, where a rate increase is required to recover an undercollected revenue requirement, a step-by-step review of the request will be to the benefit of SDG&E and its ratepayers.

3.2. SDG&E's 2017 Undercollection

We reviewed the chain of events that led SDG&E to seek relief. First, with respect to the timeframes imposed by D.02-10-062, SDG&E stated its recorded April 30, 2017 ERRA balance was undercollected by "\$119 million, which correlates with a trigger calculation of 8.3%, clearly exceeding the four percent trigger point and the five percent trigger threshold."⁹ Next SDG&E states that, as required by D.07-05-008, it analyzed whether this undercollection would

⁹ See May 17, 2017 Prepared Direct Testimony of Norma G. Jasso at NGJ-4.

self-correct below the 4% trigger point within 120 days (*i.e.*, by July 31, 2017) and determined, based on SDG&E's "analysis of potential revenues and expected expenses for May through July 2017,"¹⁰ SDG&E did not project that its ERRA balance would self-correct below the 4% trigger point.

Therefore, pursuant to Pub. Util. Code Section 454.5(d)(3) and D.02-10-062, SDG&E was required to file this expedited application addressing the disposition of the undercollected ERRA balance.

SDG&E has provided the actual recorded ERRA balance through June 2017 and a revised forecast for July 2017, as follows:

Table 2: ERRA Balances

(\$ in Millions)					
ERRA Monthly Summary	Beginning Balance	Revenues	Expenses	Ending Balance	Calculated Trigger Percentage
ACTUAL January 31, 2017	\$25	(73)	\$99	\$50	3.1%
ACTUAL February 28, 2017	\$50	(68)	\$84	\$66	4.6%
ACTUAL March 31, 2017	\$66	(73)	\$99	\$93	6.4%
ACTUAL April 30, 2017	\$93	(68)	\$94	\$119	8.3%
ACTUAL May 31, 2017	\$119	(93)	\$112	\$138	9.6%
ACTUAL June 30, 2017	\$138	(123)	\$115	\$130	9.0%
FORECASTED July 31, 2017	\$130	(144)	\$137	\$123	8.5%

¹⁰ See May 17, 2017 Prepared Direct Testimony of Norma G. Jasso at NGJ-4. The forecasted trigger percentage will be 8.2% by July 30, 2017.

SDG&E acknowledges in its Comments to the Proposed Decision that the Application sought recovery of a \$120 million undercollection but the current projection for July 2017 is a \$123 million undercollection. Nevertheless, SDG&E maintains its original request for recovery of \$120 million to remove any uncertainty as to the amount to be recovered and to assist SDG&E's implementation of this proceeding in coordination with other anticipated changes to electric rates.

In addition, SDG&E's testimony provides a table illustrating how lower-than-expected sales volumes led to lower revenues from customers, representing a total shortfall of 6.7% for January through April 2017¹¹:

Table 3: Comparison of 2017 Sales

(in GWh)			
Months	Authorized	Actuals	Difference
January	1,428	1,338	-6.3%
February	1,325	1,188	-10.3%
March	1,267	1,238	-2.3%
April	1,255	1,160	-7.6%
Total	5,275	4,924	-6.7%

SDG&E, through its written testimony, has provided supporting material for us to proceed with a decision today confirming the accuracy of SDG&E's estimated balances and that those balances meet the trigger thresholds in the established timeframes.

¹¹ See May 17, 2017 Prepared Direct Testimony of Norma G. Jasso at NGJ-5.

4. Conclusion

Based on the discussion above, SDG&E's application and supporting testimony meets the requirements of Pub. Util. Code § 454.5(d)(3) and D.02-10-062. We therefore approve SDG&E's request to recover an undercollection of \$120 million over a 14-month period beginning November 1, 2017.

5. Categorization and Need for Hearings

At the PHC, held on June 16, 2017 in San Francisco, the ratesetting categorization of the proceeding was confirmed, and it was agreed that hearings are not necessary.

6. Reduction of Comment Period

The Proposed Decision was mailed on July 21, 2017. Pursuant to Rule 14.6(b) of the Rules of Practice and Procedure, all parties stipulated to reduce the comment period on the Proposed Decision to seven days (*i.e.*, by July 28, 2017), with no reply comments.

7. Changes in Response to Comments

Comments were received from SDG&E. By its comments SDG&E provided its actual recorded ERRA balance through June 2017, its best estimate for July 2017, requested these balances be included in the decision, requested it be authorized to recover \$120 million, and requested it be authorized to file a Tier 1 Advice Letter to implement rates no later than 30 days before the November 1, 2017 implementation date. In response to these comments, we have made a number of changes relative to the Proposed Decision. Those changes include the following subjects:

- A New Table 2 reflecting SDG&E's actual recorded ERRA balance through June 2017 and its best estimate for July 2017.

- A renumbering of former Table 2 as Table 3.
- Confirmation SDG&E is authorized to recover \$120 million.
- Authorization for SDG&E to file a Tier 1 Advice Letter to implement rates no later than 30 days before the November 1, 2017 implementation date.

8. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Eric Wildgrube is the assigned Administrative Law Judge.

Findings of Fact

1. SDG&E's ERRA balance is currently projected to be \$123 million undercollected as of July 31, 2017 (based on actual numbers through June 2017 and projected numbers for July 2017).
2. SDG&E's projected undercollected ERRA balance at the end of April, 2017 exceeds its 4% trigger point of \$57.7 million. SDG&E's undercollected balance exceeds the 5% threshold point of \$72.1 million.

Conclusions of Law

1. Pub. Util. Code § 454.5(d)(3) provides for the timely recovery of procurement costs incurred by electric utilities that are under an approved procurement plan.
2. The balance in an ERRA balancing account is not to exceed or fall below 5% of the electric utility's actual recorded generation revenues for the prior calendar year excluding revenues collected for the CDWR.
3. Hearings are not necessary.
4. SDG&E's proposal to recover a projected \$120 million undercollection from ratepayers over a 14-month period beginning November 1, 2017 should be approved.

5. SDG&E should file a Tier 1 advice letter to implement rates no later than 30 days before the November 1, 2017 implementation date.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company shall file a Tier 1 advice letter to implement rates no later than 30 days before the November 1, 2017 implementation date, to show the rate increase approved herein, whereby SDG&E is authorized to recover \$120 million. The advice letter shall be effective on or after the date filed subject to Energy Division determining that it is in compliance with this decision.

2. San Diego Gas & Electric Company shall collect the Energy Resource Recovery Account undercollection from ratepayers over a 14-month period beginning November 1, 2017 until no later than December 31, 2018.

3. Application 17-05-012 is closed.

This order is effective today.

Dated August 10, 2017, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners